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EDITORIAL OFFICES
425 Park Ave., New York, N.Y. 10022. 212-371-9400.
Fax 212-838-9487
Editor-in-Chief **CHARLES BERNSTEIN**
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Fax 404-998-7339
Southeast Editor JACK HAYES
Chicago 444 N. Michigan Ave., Chicago, IL 60611, 312-644-8688.
Fax 312-644-3256
Midwest Editor CAROLYN WALKUP
Houston 2851 Wallingford Drive, Suite 108, Houston, TX 77042, 713-977-7924. Fax 713-977-4026
Southwest Editor TRACEY TAYLOR WOODARD
Los Angeles 606 N. Larchmont Blvd., Los Angeles, CA 90004, 213-464-8321. Fax 213-465-4287
West Coast Bureau Chief RICHARD MARTIN
San Francisco 400 Montgomery St., Suite 1110, San Francisco, CA 94104, 415-362-2575. Fax 415-362-0319
West Coast Editor ALAN LIDDLE

BUSINESS OFFICES
425 Park Ave., New York, N.Y. 10022, 212 371-9400.
Fax 212-838-9487.
Publisher
JAMES C. DOHERTY
Associate Publisher/National Sales Manager
MICHAEL F. CHARLTON
DISPLAY ADVERTISING
Boston 1 Gateway Center, Newton, MA 02158 617-527-6394.
Fax 617-969-3125.
Area Sales Manager CHRIS MCCOY
Cleveland Summit One Building, 4700 Rockside Road, Independence, OH 44131, 216-642-3420.
Fax 216-642-1457.
Office Manager MARTHA SMITH
Chicago 444 N. Michigan Ave., Chicago, IL 60611, 312-644-8688. Fax 312-644-3256.
Area Sales Managers GARY KNUTH, JOHN MCGUIRE, ED WEISBROD,
Los Angeles 606 N. Larchmont Blvd., Los Angeles, CA 90004, 213-464-8321. Fax 213-465-4287.
District Sales Manager DAVID M. PITTMAN
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District Sales Manager JOHN YATKAUSKAS
Area Sales Manager PAUL PETTERSEN
Sales Administrators TONY BORRELLI, COLEEN HARTE
San Francisco 400 Montgomery St., Suite 1110, San Francisco, CA 94104, 415-362-2575.
Fax 415-362-0319.
District Sales Manager STEVE CONCA

CLASSIFIED ADVERTISING
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Classified Advertising Manager LESLIE WOLOWITZ

PRODUCTION SERVICES
New York 425 Park Ave., New York, N.Y. 10022 212-371-9400. Fax 212-593-3612.
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SUBSCRIBER SERVICES
New York Suite 535, 305 Madison Ave., New York, N.Y. 10165-0079. 212-697-2165 or 212-697-2166. Fax 212-949-5176.
Circulation Director SUSAN MOSKOWITZ
Circulation Assistant JACQUELINE FLYNN
For a new subscription, call toll-free 1-800-262-9500.
National Director, JAMES DICKISON
214-964-1778
Marketing Coordinator, KATHY WILLIAMS
214-964-1778
Eastern Region Manager, WARREN EVLETH
201-292-5394
Central Region Manager, JULES SCHULHOFF
513-745-9364
Director, Sales Representatives, DAVID ULCH
402-978-8767

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New York 425 Park Ave., New York, N.Y. 10022
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NEWS

Operators urged to start recycling in face of mounting garbage crisis

by Peter Romeo

WASHINGTON — In what officials hailed as the industry's first congress on the solid-waste issue, foodservice operators and suppliers implored restaurateurs to embrace recycling as a first defense against the nation's crippling garbage glut.

Citing case histories, the speakers said that the recovery of reusable restaurant trash would lower hauling fees, generate a slight but steady income stream, and garner favorable publicity. But they asserted that the most important payback would be a shift in operators' attitudes.

"If you can get your business and your community into a recycling mode, you'll have a lot fewer problems than you will with packaging bans and laws," said Charlie Beck, manager of environmental issues for James River Corp., a supplier of foodservice disposables. "You've got to get into this mode of thinking."

The one-day seminar was held at the J.W. Marriott hotel here by the National Restaurant Association.

Throughout the event, speakers urged operators to protect their businesses and the environment by voluntarily reducing the amount of garbage that flows into the nation's few remaining landfills. Many identified recycling as the most feasible method.

Hesitation, they warned, will foster clumsy legislative attempts to ease the glut.

"Legislators often single out the foodservice industry as a cause of the problem and initiate legislation aimed at us," said NRA president Bud Rusitzky.

Typically, solid-waste laws ban or tax certain types of foodservice containers. Other areas have attempted to curb garbage output by raising disposal fees.

"The private sector must get involved early to convince the public that they're not the bad guys," advised Sen. Max Baucus, a Montana Democratic. "You've got to come up with your own solutions."

"Be proactive," counseled Bill Jacoby, a brand manager for the foodservice division of Procter & Gamble.

"Consider making one change just to get your feet wet," advised Maryknoll Benner, director of field and regulatory quality assurance for Taco Bell. "The other cards will start to fall into place."

She described how the Mexican fast-food chain had been walloped in Glen Cove, a New York suburb that suddenly banned

Charlie Beck

nonbiodegradable foodservice containers last year.

"Our packaging costs increased by 100 percent," she said. "We had to make 16 packaging changes in all."

For instance, the restaurant replaced plastic coffee-cup lids with paper disks that are shoved down into the mouth of the cups.

And, one of outlet's side dishes was served in a disposable bowl that was capped with a plastic lid. Now the bowl is nestled in a clamshell-type cardboard package, without any type of tight-fitting closure.

"Our customers complained about spills," Benner said. But, "we did what we had to do."

On the positive side, "our customer counts did increase," said Benner. "That could have been the result of the publicity. But the changes coincided with the rollout of our new value menu, and I'm sure that had some effect as well."

Today, she noted, Taco Bell is exploring ways to recycle soiled paper food containers, and is working with a recovery specialist to determine what other components of a unit's trash could be recycled.

"There are millions of dollars that can be saved through source reduction," she said.

"Manero's, a restaurant in Florida, saved $28,000 during its first year of recycling glass," said David Baker, executive director of Southeast Glass Recycling Program in Clearwater, Fla. He explained that the bulk of the savings came from a reduction in the place's garbage disposal fees.

"We had fewer 'pulls,'" a pull being the number of times a carter hauls the trash bins away, said Bernie Schreiner, the proprietor of Schreiner's Restaurant in Fond du Lac, Wis. "And once our [recycling] program was going, we had quite a nice increase in business."

However, presenters acknowledged that recycling poses some startup problems for restaurateurs.

For instance, McDonald's groundbreaking polystyrene recovery program in New England costs "$400 to $500 per month," said Michael Donahue, manager of state government relations for the hamburger chain.

"There are economic trade-offs," he said. "But it's good business to recycle. Our customers seem to appreciate it."

"Studies have shown that consumers are starting to choose products on the basis of their recyclability," said Tom Stengel, director of marketing for Container Recovery Corp., Anheuser-Busch's aluminum-recycling subsidiary.

And, declared McDonald's Donahue, "no matter how small a part of the problem we are — 0.25 percent or whatever — it doesn't absolve us from the responsibility to do something to solve the problem. We encourage you to recycle."

"It was July of 1988 that I really began to get concerned about this," said Schreiner. "I witnessed the closing of a landfill site about three miles from my restaurant."

The sight showed him that every business will soon have to handle its refuse differently. And if operators don't assume that responsibility, legislators will force it upon them.

"The time has come for us to take postive action," Schreiner declared.

"We are going to have to pay, in dollars or in other tradeoffs," said Bob Clift, executive vice president of the Oklahoma Restaurant Association.

"The time has come for all of us to ask, doesn't it make sense to start separating your trash?," said Tom Rattray, associate director of Procter & Gamble's packaging division. "Do you know which of your vendor's packages are recyclable? Do you tell your vendors that you want corrugated [cardboard] that's made from recycled materials?"

"Get involved, get involved, get involved," implored James River's Beck. "We hope you will get an environmental orientation ingrained into your business."

Fast-growing chains lead rise in restaurant stocks

(Continued from page 3)

ported sluggish mid-year results, investor enthusiasm dampened, he noted.

Although the NRN Index also slumped sharply between June and August, it has been trending upward, breaking previous highs.

Analysts said much of the gain in restaurant stocks is coming from investors attracted to small-to-medium sized companies that are enjoying unit expansion and same-store profit growth.

The single largest gainer in 1989 was QSR, whose share price rose nearly 300 percent to close the year at $4.50. The company is expanding its Mr. Submarine chain.

Other triple-digit percent gainers were Old Spaghetti Warehouse (up 197 percent, to $17.88), Max & Erma's (162 percent increase, to $8.38), and Morgan's Food (116 percent, to $1.63).

Among more recognized companies at the top of the heap whose stock enjoyed large gains in 1989 were Sbarro, Perkins Family Restaurants, Cracker Barrel, Dunkin' Donuts, Chili's, the Uno Corporation, National Pizza, and TCBY.

National Pizza — which ultimately bought Skipper's, the Bellevue, Wash.-based quick-serve seafood chain after a near year-long chase — was the sixth largest gainer with an 87 percent jump, to $18.25.

Dunkin' Donuts, which was the target of a takeover and has since been absorbed into Allied-Lyons, a Toronto-based company that also owns Baskin-Robbins, jumped 74 percent, to $46 a share.

Steady same-store sales growth and unit expansion were behind the 62 percent increase for Sbarro, to $24. An ambitious expansion plan and similar comparable-store sales increases factored in the 62 percent rise in Perkins, to $16.

Not being afraid to raise menu prices, while spearheading expansion in new markets with high-profile franchisees, led investors to Uno Corp., whose share price ended the year at $14.52, a 68 percent gain.

Despite suffering nearly five consecutive quarters of flat-to-negative earnings, the stock of the industry's largest restaurant company, McDonald's, increased 43 percent, closing at $34.50.

The company is experimenting with pizza and reportedly intends to vigorously expand in Europe.

The diversified foodservice conglomerates enjoyed strong gains in 1989. Pepsico rose 62 percent, to $64, while General Mills climbed 40 percent, to $72.38.

Among the biggest losers in 1989 were G.D. Ritzy's, the Columbus, Ohio-based fast-food hamburger and ice cream company, which lost 90 percent of its value, to end at 6 cents a share.

Other big losers were Daka International and Eateries Inc., both dropping 62 and 63 percent, respectively, to end the year with share prices under $1.

Some big-name losers were Wendy's International, whose stock price dropped over the year to $4.63, for a 19 percent loss.

CORRECTION

"Forbes lists 3 cafeteria chains in top 200," page 16, Dec. 18, incorrectly said only three foodservice operations made the magazine's list of "the best small companies in America." In fact, a fourth company, Uno Restaurant Corp. of West Roxbury, Mass., placed No. 157 on the list with a 13.5-percent average five-year return on equity.

BEST AVAILA

FINANCIAL NEWS

Itty-bitty Max & Erma's gets big-time press attention

by Milford Prewitt

COLUMBUS, Ohio — With just 14 units, Max & Erma's is a small fish in the restaurant ocean, but strong numbers are quickly getting the operator center stage notice.

Recent articles in such well-read publications as The Wall Street Journal, Investor's Daily and Business Week have lauded the company for its financial and management savvy.

The press attention hasn't been lost on investors.

Mercury Asset Management, a $30 billion international investment group from London, has bought 5 percent of the company. Closer to home, the Alger Mutual Fund — ranked third on the Wall Street Journal's annual listing of the best 10 mutual funds — bases a sizable percentage of its portfolio on Max & Erma's stock.

Moreover, among Nations Restaurant News' annual survey of foodservice stocks, Max and Erma's was third only to the Old Spaghetti Warehouse in its annual appreciation of its share price. It started the year at $3.19 and ended at $8.38 for an increase of 163 percent.

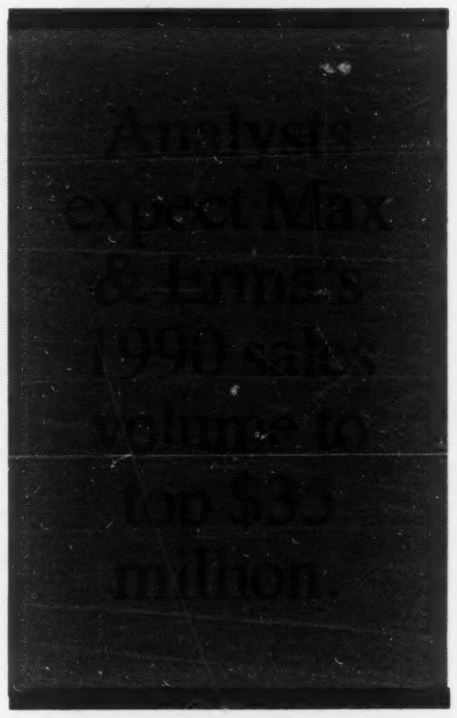
"It is amazing, the amount of press we get," said chief financial officer William C. Niegsch. "I guess it's due to the reputation we're gaining as diligent operators and for being an attractive investment opportunity."

Max & Erma's enjoyed its second consecutive year of double-digit same-store sales growth in fiscal 1989, leading to a 53-percent jump in net annual income.

For its year ended Oct. 29, the company recorded net income of $1.4 million on annual sales of $24.3 million, a 24-percent rise in sales. For the quarter Max & Erma's posted a 32-percent rise in net income to $226,000.

Analysts expect the company's 1990 sales volume to top $35 million.

Todd Barnum, chairman and chief executive officer, attributed the company's strong year-end performance to the opening of an additional restaurant and a 12.4-percent increase in same-store sales year to year.



Niegsch said that behind the impressive numbers, press attention and rosy forecasts is a turnaround story that began when current management took over the company three years ago with the singular mission of improving Max & Erma's once-dire financial posture.

"People used to come in our stores and marvel over how busy we were," Niegsch said. "But they never knew we were not making any money."

Niegsch attributed that paradoxical development to the former manager-owners of the company, executives who were in the restaurant business for "the fun of it" and not necessarily to make money.

"You know there is a glamour aspect to this business," Niegsch said. "There are some people who go into the restaurant business because they think it's fun. There's nothing wrong with that, but at some point, you've got to start making money."

To that end, the relatively new management core of Max & Erma's worked to streamline and simplify the menu, created an elaborate system for building employee *esprit de corps* through a bonus program, reduced its payroll, upgraded the physical ambience of the restaurants and stayed true to a moderate price point.

Those operational changes have elevated per unit average volume to $2 million, 50 percent higher than it was three years ago even though the per person check average has stayed around $10 per person.

"I really think the key is that we're perceived as a place with good value," said Niegsch.

Concentrated primarily in the Midwest and operating with only one franchise, Max & Erma's has been cautious in its expansion plans, opting to fill in existing markets rather than break into new ones. For 1990, this strategy involves adding new stores to Detroit, Indianapolis and Columbus for a year-end total of 17.

Roger Lipton, an analyst with Ladenburg, Thalmann in New York, said Max & Erma's typifies the kind of growth stocks investors are looking for in the restaurant sector. He said what makes the company compelling is that Max & Erma's has been able to expand its store count without marring its double-digit same-store sales growth.

Lipton said Max & Erma's growth pattern will make it a 50-unit company in five years, with annual sales of $100 million.

FOOD PRICE OUTLOOK

High pork prices seen for spring

by Patt Patterson

The last quarterly U.S. Department of Agriculture census of farm holdings of hogs showed that in December the number was down 3 percent over 1988. Prices for pork loins have been running about 16 percent to 20 percent above last year at this time. Prices are expected to remain generally higher through the spring. Cold weather in the Midwest, however, may drive that price up or down sharply as farmers fail to market hogs in colder weather and flood the market during warmer spells.

Lettuce prices, both iceberg and leaf varieties, have been holding at lower levels despite damage to Florida's crop during the Christmas freeze. Same is true of broccoli, which did not react strongly to the loss of much of the Texas crop during the same freeze.

Fresh citrus prices have surged up. Most orange juice prices are holding — at least until Brazil makes up its mind on pricing. Authorities there at press time were holding shipments until they could see a pattern in the demand. If they boost prices on their bumper supply, concentrated frozen juice prices here could rise sharply. U.S. processors are dependent upon imports to make up for the Christmas freeze.

Butter took another tumble at the beginning of the year. At just below $1.08 for f.o.b. bulk price at processors' docks, it is at its lowest in years. At the same time, milk prices and cheese have temporarily hit a high priced plateau. Agricultural observers see no major drop for milk or cheese over the next couple of months and warn there could even be some increases if production continues to lag demand.

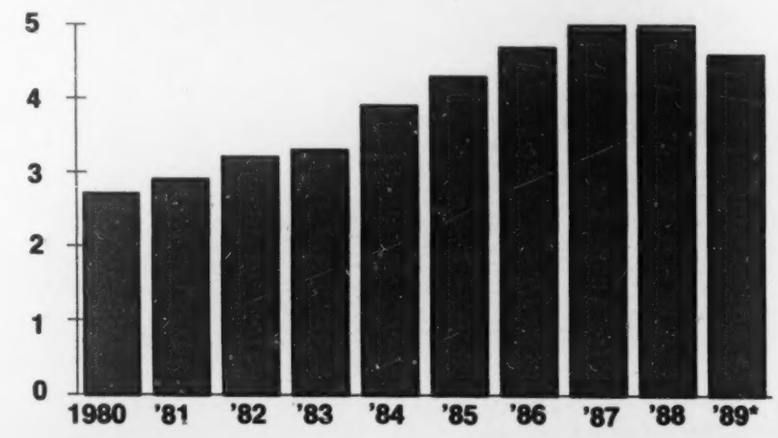
Egg prices have remained at their highest in years. Producers have cut back production, and demand — particularly for manufacturing — has surged. Although prices traditionally drop after the holiday season, so far this year they are holding on.

NRN FACT FILE

A look at the statistics shaping the industry

Imported beer consumption slips in US

(imported beer as a % of the US market)



* Estimate

Source: Beer Marketer's Insights

FINANCIAL DIGEST

Fridays' profits flat, sales down in 3rd Q

DALLAS — TGI Fridays' said profits were flat on a 12-percent drop in revenues, to $97 million, for its third quarter.

For the quarter ended Oct. 2, TGI Fridays' net income was $3.8 million — the same amount as in the year ago period.

The company attributed a shorter reporting period and charges relating to its self-insurance program as the two factors impacting on its third quarter performance.

Through the 39 weeks, TGI Fridays' revenues declined 6 percent to $287 million. However, net income during the same time period rose 12 percent to $10.5 million.

Allied-Lyons completes Dunkin' buyout

RANDOLPH, Mass. — British conglomerate Allied-Lyons PLC said it has completed its acquisition of Dunkin' Donuts Inc. for $47.25 per-share, or about $330 million.

The 1,900-unit doughnut chain will be merged with A-L Acquisition Corp., a wholly owned subsidiary of Allied-Lyons.

For six months, Dunkin' Donuts had staved off persistent takeover attempts by DD Acquisitions, a Canadian-based suitor and partnership of Toronto-based Kingsbridge Capital Group and Cara Operations.

Allied-Lyons PLC operates the Baskin-Robbins ice cream chain and owns Tetley Tea, Martinson and Savarin coffees, Canadian Club spirits and Courvoisier. The company recently added to its extensive portfolio by buying a controlling interest in a French vineyard.

Southern Hospitality reports 2nd Q loss

NASHVILLE, Tenn. — Southern Hospitality Corp. reported a net loss of $49,320 for its second quarter ended Nov. 30, despite increases in same-store sales and operating income from the 25 Wendy's restaurants it operates.

For the comparable 1988 time period, the company posted net earnings of $234,119.

Sales grew 2 percent in the quarter, to $5.1 million.

For the first six months of its fiscal year, Southern Hospitality had net income of $52,368 on sales of $10.9 million, a one-half percent increase. In the year-ago six-month period, the company lost $267,401 as a result of debt restructuring.

The slight increases in sales came even though the corporation operated four fewer restaurants in the first quarter and one fewer restaurant in the second quarter than last year, contributing to a 5 percent increase in same-store volume.

Holiday Corp. spins off new company

MEMPHIS — The Holiday Corp. has created a spin off concern — The Promus Companies Inc. — to run its gaming activities as well as its Embassy Suites, Hampton Inn and Homewood Suite hotel chains.

Each of the Holiday divisions under the Promus group will use the phrase "A Promus Company" (pronounced "promise") when referring to its corporate affiliation.

Shoney's 4th Q net income drops 42%

NASHVILLE, Tenn. — Fourth quarter net income plummeted 42 percent at Shoney's, to $1.7 million, despite a sizable rise in pretax income before extraordinary charges.

Company officials pointed out that an extraordinary charge of $3.4 million, relating to the refinancing of $215.5 million for recapitalization projects, impacted on profit.

Before adjustments were made for the extraordinary charge, income climbed 40 percent in the quarter ended Oct. 30, to $4.3 million and pretax income jumped 31 percent to $6.8 million.

Sales were flat for the fourth quarter, rising two-tenths of a percent to $204 million.

For its fiscal year-end finish, Shoney's reported sales of $860 million, a 10 percent increase over 1988. Income before taxes rose 18 percent to $115 million but after taxes and extraordinary charges are accounted for, net income dropped for the year to $15 million, a 65 percent decline.

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Two health-care workers at Pizza Hut's new Express Kiosk concept, now in health-care sites.

Hardee's ropes Roy Rogers

Hardee's forges into the Northeast, adds fried chicken to menu in $365 million deal

by Bob Seligman

ROCKY MOUNT, N.C. — With a $365 million deal to buy the 600-unit Roy Rogers chain from Marriott Corp., Hardee's Food Systems Inc. is muscling into two lucrative markets — the Northeast and fried chicken.

Hardee's is already a powerhouse in the Southeast and Midwest, and the deal would also give the chain a firm grip on the No. 3 spot among Burger chains, behind McDonald's and Burger King and beyond Wendy's in number of units.

"It's very consistent with our development strategy," said Hardee's president William Prather. "It puts us in the Northeast, and it strengthens our position in Baltimore and Washington, D.C. It gives us new penetration in Philadelphia and New York."

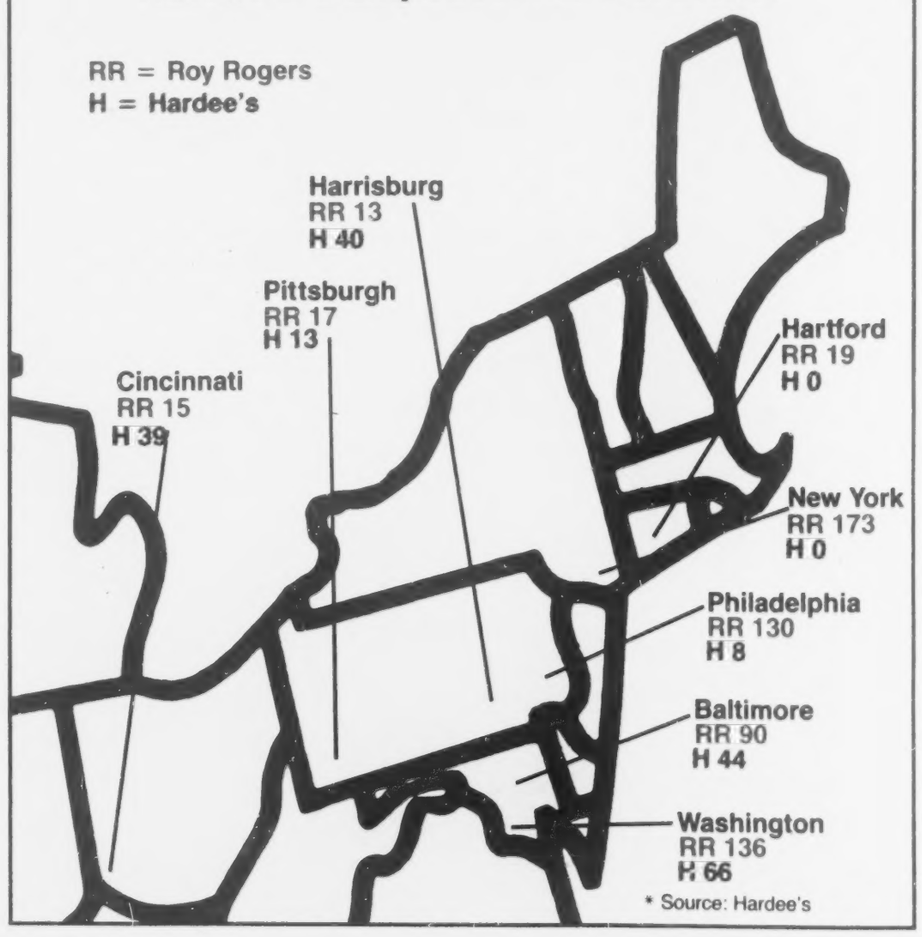
Adding Roy Rogers' bone-in chicken to the menu would make Hardee's the first major burger chain to challenge Kentucky Fried Chicken, Church's and Popeyes in the chicken-by-the-bucket dinner business.

"The biggest change will be in adding new equipment to our chain to add the fried-chicken concept," Prather said.

The sale, expected to close at the end of March, also marks the beginning of Marriott Corp.'s move out of the restaurant business to concentrate on lodging and contract feeding. Terry Souers, a spokesman for Marriott Corp., said it should take about a year for the company to sell its remaining 434 restaurants. They include 235 Big Boys, 79 Wag's, 57 Howard Johnson's, 32 Allie's and 31 Bickford's.

*(See **HARDEE'S**, page 77)*

Hardee's stampedes into Northeast



* Source: Hardee's

Hospital fast food: Big chains adjust

by Jack Hayes

McDonald's, Pizza Hut and at least three other chains are prescribing a controversial cure for ailing hospital foodservice departments: on-site fast-food operations.

While some hospital food and nutrition managers trying to maintain essential services in the face of deeper budget cuts welcome any viable solutions, a few critics are assailing the cure as being worse than the disease.

"I'm appalled that dietitians can take such a low profile on this trend," said watchdog nutritionist Sarah Fritschner, a food editor for the Louisville Times and Courier Journal. "Study after study after study shows that people get an inordinate amount of fat from these foods."

Still, most experts seem to be taking a more impartial approach to the trend. "I may be more liberal than other dietitians, but I believe in giving people what they want," said Deborah Orr, dietary director at Medical Center of Cen-

*(See **FAST FOOD**, page 76)*

MINIMUM-WAGE SHOCKER!

Legislative blunder fails to exempt small operators from law

by Peter Romeo

WASHINGTON — The National Restaurant Association has discovered that many restaurant employees thought to be exempt from the April 1 minimum-wage hike will actually be entitled to the pay raise, leaving operators unwittingly subject to penalties.

The association was startled to learn recently that the wage law passed last year contained an overlooked provision that curtails what had been seen as a full exemption for restaurants grossing less than $500,000 annually.

"A lot of people are figuring, 'If I take in less than a half-million dollars a year, I don't have to pay the new minimum wage,'" said Raymond Cordelli, the U.S. Labor Department director who oversees enforcement of wage laws. "But that's not the case."

Under current law, operators with annual sales below $362,500 are exempt from federal wage stipulations. Even those people will lose their full exemption under the legislation that takes effect April 1.

*(See **MINIMUM WAGE**, page 4)*

The wages actually required under the new federal minimum wage
(as of April 1, 1990, for less than 40 hours per week)

For restaurants grossing more than $500,000 annually:
- At least $3.80 per hour.

For restaurants grossing between $362,500 and $500,000 annually:
- At least $3.80 per hour for employees engaged in "commerce."
- At least $3.35 per hour for all others.

For restaurants grossing less than $362,500:
- At least $3.80 per hour for employees engaged in "commerce."
- No minimum for the others.

Source: Department of Labor

INSIDE

The Japan-US connection
Charles Bernstein/Page 27

Industry faces 3 critical issues
Bud Rusitzky/Page 30

100 ways to cook your chicken
Focus/Page 33

Chefs strike oil
Page 36

THIS WEEK

NEWS

7 Service America aims at segment leaders
7 Breath test makes serious point after cruise
18 MSG proposal sent back to public hearings
18 McD's Schrage taps ad award
22 BK implements new system for more efficient purchasing
36 Chefs strike oil
47 Regional distributors unite to form marketing co-op
47 Restaurateur Campisi dies after chase
50 LA Zagat list taps Chinois on Main and Matsuhisa
54 View from the Vineyards showcases Calif. wines
58 Hard Rock declares war on bootleggers
59 Grandy's renovates Dallas stores with '90s look
70 Wine Fest to feature tastings, chef speakers

FOOD

11 Fabricant/Something's stewing on white-tablecloth menus
11 NRN Food Digest
11 What's Hot in Buffalo, NY

MARKETING

12 Pizza chains vie for slice of cable viewer pie
12 NRN Marketing Digest
12 Ad Watch

FINANCIAL

14 Overseas market sweeter than home for McDonald's
14 Food Price Outlook
14 NRN Financial Digest

OPINION

27 Bernstein/The Japanese-American foodservice connection
30 NRA attacks three critical industry issues
45 Hygiene wars: Launch first strike against germs

FOCUS

33 100 ways to cook your chicken

FEATURES

18 Walkup/Operators try to wake up public for breakfast
50 Patterson/Long-term relationships with suppliers pay off
54 Hochstein/UK producers unite against neo-prohibitionists
27 Letters
30 Side Dishes
42,62 Product Showcase
44 Book Digest
63-70 Classified
76 Ad Index

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Vol. 24, No. 7 February 12, 1990

NEWS BRIEFS

Administration urges repeal of controversial tax

WASHINGTON — The Bush administration has called for a repeal of the Special Occupancy Tax, a controversial tariff that has quietly been levied on restaurateurs and other alcoholic beverage retailers.

Although restaurants have been subject to the tariff for several years, many were not aware of their obligation until the Bureau of Alcohol, Tobacco and Firearms hit them with hefty overdue-tax bills last year. Some discovered they owed thousands of dollars.

Bush's repeal request was buried in the body of the administration's budget proposal. The National Restaurant Association and other trade groups have been striving to repeal the tax and exempt places from penalties.

Franchising report predicts 10.7% restaurant growth

WAIKOLOA, Hawaii — Sales at U.S. franchised restaurants and franchisor-owned outlets will grow at a robust 10.7-percent rate during 1990, to about $76.5 billion, according to an authoritative report monitoring franchising.

In 1989 sales by restaurant licensors and licensees grew 7.5 percent, to $69.1 billion, according to the report released by the International Franchise Association at their annual convention here.

Restaurant concerns involved in franchising are expected to add nearly 8,000 new units in 1990, an increase of 8.3 percent from 1989 levels. The expansion — most of which will come from franchised restaurant openings — would bring the total number of franchisor and licensee outlets to more than 102,000.

A broad-brush gauge of chain restaurant activity, the "Franchising in the Economy" report was produced by Horwath International along with the IFA's Educational Foundation. The study had previously been conducted by the U.S. Department of Commerce.

Former Bonanza prexy takes Pizza Inn helm

DALLAS — Jeff Rogers, who spearheaded the expansion and menu diversification of Bonanza during his six years as president of the budget steak chain, has assumed the chief executive's post at Pizza Inn, Pantera's ailing 600-unit pizza chain.

Pantera's recently filed for Chapter 11 bankruptcy protection, shuttered dozens of restaurants and lost a number of top-level executives, including marketing director Dan Japhet and chief executive Stephen D'Agostino.

Rogers was fired by Bonanza after the chain was acquired by Metromedia, parent of the competing Ponderosa system.

Licensee to buy majority stake in Treacher's

YOUNGSTOWN, Ohio — The largest franchisee of 100-unit Arthur Treacher's Fish & Chips has agreed to acquire a majority interest in the franchisor.

The infusion of capital from M.I.E. Hospitality Inc. will give Treacher's the resources to "satisfy certain past due obligations, replenish working capital and expand our franchise network," said James Cataland, Treacher's president. The company has been unprofitable for several years.

The company plans major expansion in the Philadelphia market in the near future. M.I.E. is based in Bloomsburg, Pa.

Auto Cafe Systems, which is headed by G.D. Ritzy's founder Graydon Webb, reportedly also had bid for control of Treacher's.

Renaud to head Boddie-Noell's Skats chain

ROCKY MOUNT, N.C. — Ernest Renaud, former president of Long John Silver's, Golden Corral Investors Corp. and Church's, has been named president of Boddie-Noell's Skats fast-food chain.

In the new post he will lead an expansion effort for Skats, a 22-unit chicken, burger and biscuit drive-thru and sit-down chain in North Carolina and Virginia. Boddie-Noell, a leading Hardee's franchisee, is seeking to establish a company-owned Skats identity.

Dietrich resigns as president of Two Pesos

HOUSTON — Thomas E. Dietrich has resigned as president of Two Pesos Inc., the 25-unit quick-service Mexican restaurant chain based here.

Marno McDermott Jr., the company's chairman, chief executive and majority owner, said he would assume the duties and title of president when Dietrich officially steps down March 1.

Dietrich said he would remain on the board of directors "until a conflict arises."

The company, which recently scaled back operations, said it expects to post sales of $39 million for the year ending March 30.

Debevic's wins copycat battle

CHICAGO — Ed Debevic's Inc. said it has won a judgment against Joe Bel Air Enterprises of Fort Lauderdale, Fla., for copycatting the Debevic's diner concept.

Joe Bel Air has agreed to change the exterior and interior design, remove slogans from the walls and change the menu.

"We felt that Joe Bel Air's had blatantly copied our restaurant's appearance, menu and promotional materials," said Gerard Centioli, Debevic's president. "Ed's intends to protect its rights throughout the country and to the extent necessary to prevent unfair imitations."

Pizza Hut franchisees accept new contract

ATLANTA — Pizza Hut's franchisees have endorsed a new 20-year contract provided Pizza Hut signs off on the new agreement by March 1.

In a meeting of the International Pizza Hut Franchise Holders Association, the system's franchisee association, a resolution that allows the new contract to be implemented was supported by members representing a majority of the association's 3,000 units.

Pizza Hut and its franchisees developed a new proposed contract after the franchisees started a $3 million legal war fund in November — reminiscent of developments in the Kentucky Fried Chicken chain — to take the company to court if they could not forge a better contract.

Black quits Paragon, opens restaurant

LA JOLLA, Calif. — Cindy Black, corporate chef of San Diego-based Paragon Restaurant Group since 1986 and formerly executive chef for TWA, has left Paragon and opened her own restaurant here, called Cindy Black's.

The 90-seat operation features French country cuisine, with dinner entrées priced from $11 to $19. Black first gained attention in San Diego as chef at Sheppard's at the Sheraton Harbor Island West and later as head chef of the local Piret's bistro-deli group.

Her exit from 104-unit Paragon coincides with the restructuring of the company into three divisions — casual theme, seafood and steak — with separate menu-development staffs.

Black apprenticed in Boston under Madeleine Kamman at Chez La Mere Madeleine and later cooked in the all-women kitchen of Auberge Le Cabanon in Magesoq, France. Before moving to San Diego, Black cooked at the Boston Sheraton's Apley's and was chef at the Cranberry Moose in Yarmouth Port, Mass.

Liquor law overhaul: Utah legislators approve bill

SALT LAKE CITY — Utah restaurateurs moved a step closer to winning the right to serve mixed drinks and begin liquor service three hours earlier when legislators recently approved Senate Bill 141, an overhaul of the state's complex beverage laws.

State restaurant association officials say they expect the governor to sign the bill, which also bans "brown bagging," the practice of letting consumers carry their own liquor into restaurants, taverns and clubs.

Utah has required restaurant customers to mix their own drinks and has prohibited liquor service before 4 p.m. since 1969. Operators and tourism boosters have complained that the system was confusing to visitors and a bother to all drinkers.

The bill, approved by both the Senate and the House, will become law 60 days after receiving the governor's signature. The bill allows operators until next January to comply with some of the provisions, including a requirement that liquor be dispensed through a metered portion-control device.

Nation's Restaurant News

EDITORIAL OFFICES
425 Park Ave., New York, N.Y. 10022. 212-371-9400.
Fax 212-838-9487
Editor-in-Chief **CHARLES BERNSTEIN**
Executive Editor RICK TELBERG
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Art Director BOB BROKMAN

NEWS BUREAUS
Atlanta 278 Spring Drive, Roswell, GA 30075, 404-998-6966.
Fax 404-998-7339
Southeast Editor JACK HAYES
Chicago 444 N. Michigan Ave., Chicago, IL 60611, 312-644-8688.
Fax 312-644-3256
Midwest Editor CAROLYN WALKUP
Houston 2851 Wallingford Drive, Suite 108, Houston, TX 77042, 713-977-7924. Fax 713-977-4026
Southwest Editor TRACEY TAYLOR WOODARD
Los Angeles 606 N. Larchmont Blvd., Los Angeles, CA 90004, 213-464-8321. Fax 213-465-4287
West Coast Bureau Chief RICHARD MARTIN
San Francisco 400 Montgomery St., Suite 1110, San Francisco, CA 94104, 415-362-2575. Fax 415-362-0319
West Coast Editor ALAN LIDDLE

BUSINESS OFFICES
425 Park Ave., New York, N.Y. 10022, 212 371-9400.
Fax 212-838-9487.
Publisher
JAMES C. DOHERTY

Associate Publisher/National Sales Manager
MICHAEL F. CHARLTON

Marketing Manager BARBARA ANCONA
Marketing Coordinator COLEEN HARTE

DISPLAY ADVERTISING
Boston 1 Gateway Center, Newton, MA 02158 617-527-6394.
Fax 617-969-3125.
Area Sales Manager CHRIS MCCOY
Cleveland Summit One Building, 4700 Rockside Road, Independence, OH 44131, 216-642-3420.
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Chicago 444 N. Michigan Ave., Chicago, IL 60611, 312-644-8688. Fax 312-644-3256.
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Los Angeles 606 N. Larchmont Blvd., Los Angeles, CA 90004, 213-464-8321. Fax 213-465-4287.
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New York 425 Park Ave., New York, **N.Y.** 10022
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San Francisco 400 Montgomery St., Suite 1110, San Francisco, CA 94104, 415-362-2575.
Fax 415-362-0319.
District Sales Manager STEVE CONCA

CLASSIFIED ADVERTISING
New York 425 Park Ave., New York, N.Y. 10022, 212-371-9400. Fax 212-421-1956.
Classified Advertising Manager LESLIE WOLOWITZ

PRODUCTION SERVICES
New York 425 Park Ave., New York, N.Y. 10022
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Circulation Director SUSAN MOSKOWITZ
Circulation Assistant JACQUELINE FLYNN
National Director JAMES DICKISON
214-964-1778

LEBHAR-FRIEDMAN INC.
New York 425 Park Ave., New York, N.Y. 10022
212-371-9400. Fax 212-838-9487.
President **J. ROGER FRIEDMAN**
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NEWS

Food is 'in' at clubs nationwide

Spotlight on chefs in effort to boost sales

by Jack Hayes

ORLANDO, Fla. — Managers of the nation's 4,000 clubs are overhauling kitchen and dining room strategies to keep stride with escalating overhead and increasing competition from both commercial restaurants and other clubs.

At the same time private club managers, in an effort to promote service to both existing and potential members, are taking a tip from the commercial competition and thrusting their chefs into the spotlight.

"Old club traditions are being broken," said Jack Marckstein, the general manager at Oak Hills Country Club in San Antonio, where menus are now changing monthly and where monthly food minimums have been abolished.

"Chefs are celebrities now; food is in," added Imre Hir, general manager at the Atlanta Country Club in Atlanta.

Marckstein and Hir, who discussed food and beverage trends here during the Club Managers Association of America's 63rd annual conference — which wrapped up on Feb. 2 — touched a nerve with club peers who see competition as already strong and growing even stronger in the years ahead.

Managing in a change-driven environment was indeed the dominant conference theme for Washington, D.C.-based CMAA, which represents the operating leadership of golf and country clubs, city clubs, yacht clubs, tennis clubs, university clubs and athletic, military and fraternal clubs across the country.

"Club managers are having to look at competitive factors," William Chernish, who is the assistant dean at Cornell University's School of Hotel Administration, told the attendees. "Food and beverage can mean the difference between survival and failure."

Chernish said managers who are more involved with bottom-line reporting realize it costs them money when members go downtown to a restaurant for dinner on Saturday night.

"There are 200 restaurants between us and the members," agreed John Thomas, general manager at The Yakima Country Club in central Washington.

"If we want the food and beverage revenue, we have to deliver the same product."

To make that delivery, Thomas explained, his club recently spent $800,000 on upgrading the clubhouse.

Richard Coyne, general manager at the Kebo Valley Club, which is more than 100 years old, said his board is pushing for more special-function business during tourist season in addition to bigger breakfast, lunch and dinner counts.

Adair Chew, general manager at Lake Mead Golf & Country Club near the San Francisco market, is hosting wine tastings with star chefs from Europe to draw members away from "too much" restaurant patronage.

Thomas Catherall, executive chef of the Cherokee Town & Country Club in Atlanta, prepares entrées and desserts based on his own gold-medal-winning recipes from last year's Culinary Olympics in Frankfurt, Germany.

But Catherall emphasized that to compete with the commercial segment, clubs must be extremely versatile. "We have to be Houlihan's, Houston's and 103 West when it comes to dining," Catherall said. "And for banquets, we have to be the Waldorf Astoria."

Catherall taught a seminar here called "Great Club Dishes," along with other former Olympic chefs Alex Darvishi from the Athletic Club of Columbus; Michael Russell from Kingsley Inn in Bloomfield Hills, Mich.; and Chris Northmore, also from the Cherokee Town & Country Club.

Some of the same chefs will wind up a Taste of Gold seminar series being held at the Racquet Club of Memphis this month to promote the CMAA's effort to have a culinary team competing in Frankfurt in 1992.

"We want to lift the food and beverage image for clubs," said Bill Schulz, who is general manager at Twin Orchards Country Club, near Chicago. Schulz is also chairman of CMAA's culinary team committee.

Meanwhile, the culinary ferment in private clubs is bubbling to the point where Keith Nelson, executive chef at The Birchwod Club, also in Chicago, will soon be hiring an executive director to manage his year-old, strictly-for-chefs group, Club Chefs Association of America.

Nelson, who did not attend the CMAA conference here, expects a dozen chapters of the association to be operating by the end of this year. About half of Chicago's 120 clubs are already represented.

"I wonder myself why it's taken so long for clubs to grow above steak and potatoes," Nelson said.

Minimum-wage shocker rocks operators

(Continued from page 1)

"It's going to be a bolt out of the blue for a lot of people out there," said NRA counsel Dick Johnson.

Because of what the association has termed a legislative blunder, the law will force low-volume restaurants to categorize each employee on a weekly basis to determine which ones engage in "commerce or in the production of goods for commerce." Staffers who fall within that nebulous classification will be entitled for the relevant "workweek" to the new minimum wage of $3.80 per hour, or $5.70 per hour for overtime. Other workers can be paid a lower rate.

"Commerce" could include such activities as processing a credit-card charge slip or storing a shipment of lobsters from an out-of-state purveyor, according to Cordelli.

"A person in the kitchen deboning or trimming the fat off meat might not seem as if they're engaged in interstate commerce," Cordelli said. But the butcher would indeed qualify for the higher minimum wage if the fat and bones are sold to rendering companies with offices throughout the nation.

"That butcher would then be engaged in interstate commerce," Cordelli said.

"Restaurateurs should check with the nearest office of the Department of Labor's Wage and Hour Division to determine what constitutes interstate commerce," he advised.

Restaurateurs who fail to comply with the law could be subject to a civil penalty of $1,000 per infraction plus back wages. That fine could also be levied for record-keeping violations.

The NRA is striving to convince the Labor Department that it should not deny a full exemption to restaurants with annual revenues of less than $500,000. "The intent of the law was to exempt those places — period," asserted Mark Gorman, who leads the association's lobbying team.

However, the legislation is not open to interpretation, according to Cardelli. He emphasized that the Labor Department would indeed enforce the law as it is currently written.

If the administration stands firm, the NRA will urge congressmen and senators to pressure Labor Department officials, according to Gorman. And if that fails, "we'll go to the political people and ask them to correct the law," he said. "Maybe we can get Labor to hold off on enforcement until the law is corrected."

The NRA and other trade groups maintain that Congress never intended to rob small businesses of a full exemption from the new minimum wage, which rises again in April 1991, to $4.25 per hour.

"Clearly it's a mistake," commented James Coleman, counsel for the Foodservice and Lodging Institute.

"Right now the ceiling for coverage is $362,500," said NRA executive vice president Bill Fisher. "If your establishment takes in less than that amount, right now you don't have to pay the federal minimum wage. You're exempt.

"When Congress raised the minimum wage last year, they raised that ceiling to $500,000 to reflect the affects of inflation. Their intent was to raise the exemption."

However, the NRA asserted, that effort was inadvertently undermined when the law was being written. According to the association, the authors sought to simplify the legislation by negating two paragraphs that fully exempted low-volume retail and service enterprises from the wage increase. Their aim, the NRA said, was to create a uniform standard for all businesses.

"They did it for uniformity, but they didn't go into the results of their action," said the NRA's Johnson.

Legislative aides to Sen. Edward Kennedy, the Massachusetts Democrat who chairs the Senate Labor and Human Resources Committee, would not discuss the matter. However, a junior press officer dismissed the inquiries with an assertion that "there are exemptions in the law."

When the snafu was discovered in late January, the NRA apparently solicited the opinion of Jay Harvey, who was then counsel for Kennedy's committee. According to the association, Harvey confirmed that lawmakers intended to fully exempt all service establishments grossing less than $500,000 annually.

Harvey has since parted with the committee and could not be reached for confirmation. His replacement has not yet been named.

The matter came to light when Johnson's staff read the law's fine print. An assistant, Diane Bridge, fired off a memorandum to Johnson. The NRA provided a copy to Nation's Restaurant News during the association's winter board meeting in Laguna Niguel, Calif.

"It had completely escaped everyone's attention until that point," Johnson said.

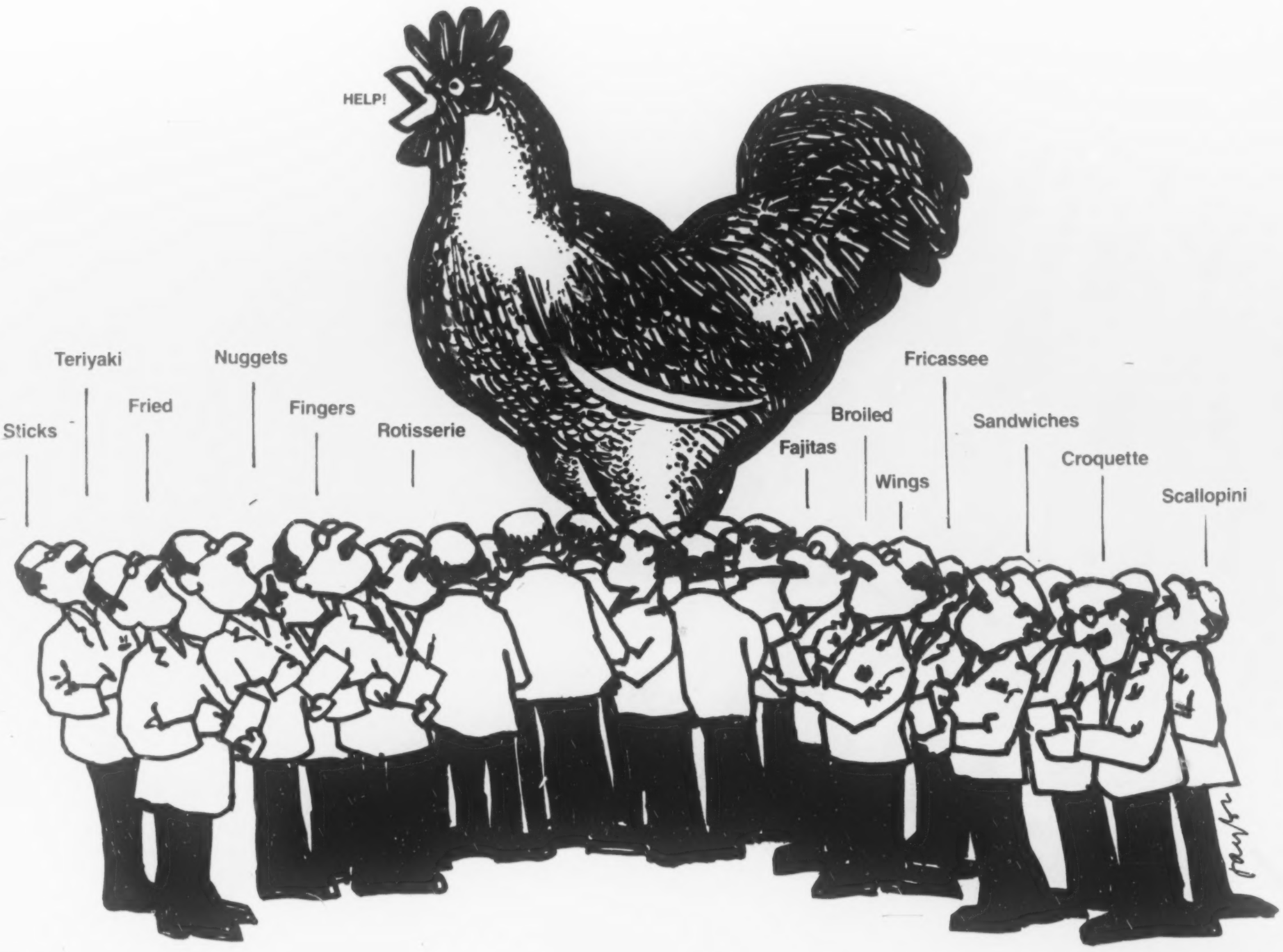
Indeed, many trade groups had gloated about their role in pushing the exemption ceiling up to $500,000. And the media never questioned that businesses garnering less than that amount would be fully excused from the wage law.

The NRA initially treated its discovery with skepticism. But its worries were confirmed by the Labor Department.

CORRECTION

"Ten Leading restaurants enter NRN Hall of Fame," page 1, Feb. 5, misidentified the owner of the Drake Hotel in Chicago as Hilton International. Vista International owns the Drake.

FOCUS



100 ways to cook your chicken

From rotisserie to char-grilled, operators are constantly looking for new ways to prepare this old stand-by and bolster appeal to health-conscious consumers

by Milford Prewitt

The trend to create new menu items and dishes from chicken is accelerating as both fast feeders and table-service operators look to chicken to stimulate business.

"The really great thing about chicken is that, like veal, it's a mild meat and is so receptive to sauces and spices," says Reed Medinger, owner of R.D. Cluckers, a two-unit Chicago-area restaurant operation whose total menu, appetizers and entrées, is devoted to chicken. "Chicken really gives you a lot of versatility."

The versatility of chicken is already appreciated by such chains as Kentucky Fried Chicken, Popeyes, Po Folks and scores of independents that are drawing new business to their restaurants with new chicken items.

At the same time a growing number of entrepreneurs are entering the segment filled with high expectations for the rotisserie method of cooking chicken. Already two companies, Famie's Chicken in Detroit and Peppy Poulet in Danvers, Mass., have announced plans to operate gourmet, quick-serve chicken chains featuring rotisserie cooking.

Seeking consumers who are adopting more healthful lifestyles, restaurateurs are working hard not to remain staid with their chicken items and are petitioning their suppliers — both equipment and food processors — to help in the rollout of new chicken items.

Throughout all segments of food service, char-broiled, grilled, nuggets, fruited marinades and ethnic preparations are popping up on chicken menus with increasing frequency.

The commitment to do more with chicken comes at a time when per-person consumption is up while segment sales have flattened. The National Broiler Council projects that annual chicken consumption will jump 7 percent in 1990, to 72.3 pounds per person.

According to G.D.R. Crest, however, a Chicago foodservice market research group, the segment is growing slowly. Crest data challenge the conventional view that the nutritional demands of consumers are making chicken operators rich. When measured by traffic counts, chicken restaurants in the quick-serve segment garnered 7 percent of the business last year, about 2 percent better than in 1988, to remain a far distant third behind hamburgers and pizza.

But other data from the National Restaurant Association show that restaurateurs are nonetheless adding more chicken items to their menus and cutting back on red-meat offerings.

In an analysis tracking entrée trends among 100 restaurants between 1984 and 1989, poultry dishes were the the third most frequently added menu item. Meat dishes, in contrast, slumped by a negative 15 percent. Only combination dishes — seafood and beef — salads and pasta grew faster than chicken.

In specific poultry items, chicken breast was the most commonly added menu item, rising from 40 percent of all menus in 1984 to 68 percent in 1989.

The popularity of chicken breast factors in new menu rollouts at several restaurant companies, including Kentucky Fried Chicken, which late last year reintroduced the Colonel's Sandwich (a chicken breast fillet), a chunky chicken-topped vegetable salad and Extra Tasty Crispy Chicken and began test marketing char-grilled chicken.

John M. Cranor, president of KFC, notes the company's chicken sandwich is just the beginning of a wave of new products the industry's largest chicken chain will unveil.

On one hand, KFC's resolve to do more with chicken is as much a strategic response to the competitive pressures posed by chicken products at hamburger chains as it is an attempt to appease its critics, some of them franchisees, who took the system to task for being slow to develop the menu.

But Cranor has indicated the company's previous sluggishness in new-product introduction will be remedied.

"KFC is going to be the place for chicken," Cranor says. "Within a sharply narrow area, KFC is going to offer variety."

Variety of product is already the driving force behind the menu at R.D. Cluckers, Medinger says. Cluckers is a rare breed in that it is one of a dearth of full-service restaurants to specialize only in chicken.

Medinger says the menu is revised about once every three months to add new chicken items to his chicken-only menu. He notes his patrons expect such changes.

One new menu item Cluckers recently introduced and earned strong customer applause, Medinger says, was fruit-marinated chicken.

With one 90-seat location in downtown Chicago and a 200-seat establishment in Wheeling, Cluckers has an average per-person check of $11. The downtown location, Medinger adds, makes about 45 percent of

(See 100 WAYS, page 34)

Seeking consumers who are adopting healthier lifestyles, restaurateurs are working hard not to remain staid with their chicken items.